

Verizon's Responses to the FCC's Information and Document Requests

FCC DATA REQUEST #15

Please provide an explanation of the rationale and the timing of Frontier's recent debt covenant amendments. Provide any documents that discuss these debt covenants as they relate to the proposed transaction.

RESPONSE TO FCC DATA REQUEST #15

Please see the response as provided by Frontier.

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FCC DATA REQUEST #16

Please provide Frontier's detailed *pro forma* statement of cash flows for the most recent period as of the closing date. Please treat this as a continuing request, and provide updates as and when available.

RESPONSE TO FCC DATA REQUEST #16

Please see the response as provided by Frontier.

FCC DATA REQUEST #17

Please provide Frontier's leverage ratio (debt to EBITDA) for 2009, as well as Frontier's *pro forma* debt-to-EBITDA ratio for the most recent period.

RESPONSE TO FCC DATA REQUEST #17

Please see the response as provided by Frontier.

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FCC DATA REQUEST #18

For Frontier's borrowings, including bond issuances, for the past five years, please state the type of borrowing and the interest rate for each such borrowing.

RESPONSE TO FCC DATA REQUEST #18

Please see the response as provided by Frontier.

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FCC DATA REQUEST #19

Under what conditions (*i.e.*, combination of business metrics) will Spinco's financials hinder Frontier's ability to: (1) service the debt from the deal; (2) be cash-flow negative; (3) be EBIT negative; (4) be EBITDA negative; (5) be dilutive (*i.e.*, reduce Frontier's margins)? What combination of residential and business line loss, declines in average revenue per user (both in price and in mix of products), offset by what gains in broadband or video penetration, leads to each of the above?

RESPONSE TO FCC DATA REQUEST #19

Please see the response as provided by Frontier.

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FCC DATA REQUEST #20

Please provide:

- a. All documents prepared expressly for Frontier (whether prepared internally or by outside advisors) that discuss the potential for annual synergies from the proposed transaction.
 - (1) Describe each step Frontier will take to achieve these synergies or efficiencies; the costs the company will incur to achieve these synergies or efficiencies; the risks involved in achieving these synergies or efficiencies; the underlying assumptions for achieving these synergies or efficiencies; and the time required to achieve these synergies or efficiencies, including whether these synergies or efficiencies are primarily short-term or long-term.
 - (2) Explain whether these synergies will represent savings in fixed costs or marginal costs, and describe the assumptions underlying your response to this specification.
 - (3) In addition, explain how these savings are directly related to the proposed transaction and why these synergies or efficiencies could not be reaped by Frontier alone or by merging with another firm.
- b. A copy of all documents and spreadsheets prepared expressly for Frontier (whether prepared internally or by outside advisors) that were used to prepare any response to this specification; and
- c. An explanation of what metrics or thresholds Frontier will use to determine whether actual experience is consistent with its model, as well as what Frontier's plans are to address deviations from the model.

RESPONSE TO FCC DATA REQUEST #20

Please see the response as provided by Frontier.

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FCC DATA REQUEST #21

In the adjacent exchange areas, are there unbundled network elements (UNE) rates or interconnection rights for network elements that differ from the UNE rates or interconnection rights in the transaction market area? If so, please list these differing service offerings and prices for wholesale customers in each area, and provide an explanation for the differences between the rates or interconnection rights in each adjacent exchange area.

RESPONSE TO FCC DATA REQUEST #21

Please see the response as provided by Frontier.

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FCC DATA REQUEST #22 (REVISED)

To what extent, if any, does Frontier anticipate that it will be a rural telephone company, as that term is defined in section 3(37) of the Communications Act, in the transaction market areas? Has Frontier used the rural exemption to deny requests for or influence negotiations of interconnection agreements under Section 251(c) of the Act, and does it intend to do so post-consummation in the transaction market areas? Please provide all documentation that discusses any such use of or plans to use the rural exemption by Frontier.

RESPONSE TO FCC DATA REQUEST #22

Please see the response as provided by Frontier.

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FCC DATA REQUEST #23

Provide an explanation of Frontier's co-marketing arrangements with Dish Network Satellite TV. To the extent that take rates for this service vary across Frontier's market areas, please explain why such variances arise, and explain what factors Frontier considered in its assumptions about the potential take rate for the Dish Network Satellite TV services in the transaction market areas.

RESPONSE TO FCC DATA REQUEST #23

Please see the response as provided by Frontier.

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FCC DATA REQUEST #24

For each transaction market area in which FiOS is currently offered, provide:

- a. A description of the facilities that Frontier would need to acquire in order to provide video services. Could any of these facilities be used to provide video services in any Frontier franchise areas?
- b. An explanation of how Frontier will provide these services in the future.
- c. An estimate of the cost for Frontier to provide video services to former FiOS customers post-closing.
- d. An explanation of any contractual arrangements that will either continue or need to be negotiated to enable Frontier to provide video services in the transaction markets in which Verizon currently offers FiOS. Could any of these contracts be used to provide video services in any Frontier franchise areas?

RESPONSE TO FCC DATA REQUEST #24

Please see the response as provided by Frontier.

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FCC DATA REQUEST #25

Provide copies of all documents prepared expressly for Frontier (either internally or by outside advisors) which discuss the impact of the transaction on broadband availability in the merged entity's market areas.

RESPONSE TO FCC DATA REQUEST #25

Please see the response as provided by Frontier.

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FCC DATA REQUEST #26

Please provide a description of, and copies of all documents prepared (either internally or by outside advisors) which discuss:

- a. your company's existing broadband footprint, by data rate capacity, for residential customers, and for small- and medium-sized businesses, in each market area;
- b. Frontier's plans to improve broadband availability in the transaction market areas, including:
 - (1) the percentage by which Frontier expects to improve broadband deployment over Verizon's current deployment rate of 62%, including assessments of the potential data rates capable, the anticipated cost per customer to achieve the projected improvements, and the timeframe for achieving these projected improvements;
 - (2) what assumptions are made about providing broadband to those currently unserved by Verizon's broadband service;
 - (3) the extent to which Frontier has tested (or is testing) Verizon's existing infrastructure that could be used to provide fixed broadband services in the transaction market areas;
 - (4) what facilities Frontier would need to construct in the transaction market areas to achieve its projected improvements in broadband deployment;
 - (5) what percent of homes in the transaction market areas will be broadband enabled as a function of time;
 - (6) whether/how these plans address competition from other broadband providers, in particular, the impact on these plans of expected LTE and DOCSIS 3.0 deployment in these areas;
 - (7) the estimated cost per home passed for each year in the construction plan;
 - (8) the cost for each incremental percent of broadband coverage (e.g., the cost to move from 79 percent to 80 percent coverage);
 - (9) what take rates will be required to break even on broadband buildout, and at what ARPU;
 - (10) what percentage of the transaction market areas have cable-based broadband available; and
 - (11) what percentage of the transaction market areas are within the Verizon Wireless 3G footprint.

RESPONSE TO FCC DATA REQUEST #26

a. Responsive information regarding the number of broadband subscribers by speed capability as well as the percentage of residences with DSL available in the territories at issue in this transaction is in the Form 477 data submitted to the Commission by Applicants.

Please see the response as provided by Frontier also.

b. Please see responses as provided by Frontier to (b)(1 – 9).

b(10). Responsive information regarding the percentage of residences with DSL available in the territories at issue in this transaction is in the Form 477 data submitted to the Commission by Applicants. Additionally, Applicants submitted responsive confidential information with respect to cable data service offerings within these territories on December 22, 2009.

b(11). Information regarding the percentage of the transaction market areas that are within the Verizon Wireless 3G footprint is not available. Maps showing the areas of the territories at issue in this transaction that fall within the Verizon Wireless 3G footprint are identified in Verizon's master index listing, at Appendix A and will be produced.

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FCC DATA REQUEST #27

Provide, including copies of all documents and spreadsheets prepared expressly for Frontier (either internally or by outside advisors) that were used to prepare any response to this specification:

- a. An estimate of the yearly benefits, costs, and risks attributable to the merger within the first five years after closing, and an explanation of whether these benefits, costs, and risks will have a one-time or recurring effect.
- b. A detailed explanation of the underlying assumptions and the methodology used to estimate the benefits, costs, and risks attributable to the merger within the first five years after closing.
- c. A detailed explanation of whether and how these benefits will be passed on to consumers. In addition, please quantify the size of these benefits to these customers, and whether this will be a one-time or recurring benefit.

RESPONSE TO FCC DATA REQUEST #27

Please see the responses as provided by Frontier.

FCC DATA REQUEST #28

For each transaction market area, please describe, and provide copies of all documents prepared (either internally or by outside advisors) expressly for Verizon or Verizon Wireless that discuss:

- a. competition between Verizon's wireless broadband services and mass market fixed broadband services within the transaction market areas, including but not limited to market studies, product strategies, and marketing strategies;
- b. the company's business plans in the transaction market areas for mass market wireless broadband service offerings designed to compete against mass market fixed broadband services, including strategic plans and financial projections for such services;
- c. consumer willingness and ability to substitute or use wireless broadband services in lieu of wireline broadband services, and to substitute or use mobile broadband in lieu of fixed broadband;
- d. what fixed wireless broadband service Verizon Wireless plans to offer in the transaction market areas, at what download and upload speeds (Mbps), and at what price; and
- e. what average effective load per user (kbps) is assumed in designing and sizing the wireless and backhaul portions of the network.

RESPONSE TO FCC DATA REQUEST #28

Response:

[HIGHLY CONFIDENTIAL INFORMATION REDACTED]

As with other carriers, the deployment of more robust 4G networks will facilitate increased competition across both mobile and fixed platforms. Providers including Verizon Wireless are investing in these next-generation wireless broadband service, and the roll-out of 4G will provide a competitive option to wireline broadband for many consumers. Verizon Wireless has been deploying LTE technology which is designed to enable reliable mobile service to customers who wish to obtain broadband access wherever they are located in the covered service area, as well as while they are physically traveling through the area. Testing of LTE is underway, and the company plans to initiate service later this year. For 4G/LTE overlaid on existing 3G cell sites, based on preliminary tests, Verizon Wireless expects average data rates of 5 to 12 Mbps for the downlink and 2 to 5 Mbps for the uplink

Verizon Wireless does not assume a specific average effective load per user (kbps) in designing and sizing the wireless and backhaul portions of its network. Because of the many variables in providing a mobile wireless service, e.g., the amount of spectrum available, variations in terrain, attenuation caused by buildings and trees and the need to ensure that customers continue to receive service while traveling, effective loads per user can fluctuate considerably in different areas and at different points in time. The company thus does not design its network for a particular number of subscribers, since

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that number will never be static. The number of subscribers is constantly changing given the continual movement of both subscribers and roamers into and out of a particular cell site's service area. At this time Verizon Wireless intends to deploy as much capacity as the available spectrum in the 700 MHz band permits it to deploy.

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FCC DATA REQUEST #29

Provide all documents cited in the Public Interest Statement and supporting declarations, as well as any data or competitive analyses relied upon in preparing those documents, grouped by declaration/Public Interest Statement.

RESPONSE TO FCC DATA REQUEST #29

Documents responsive to this request are identified in Verizon's master index listing, at Appendix A, and copies of responsive documents will be provided. Please also see the response as provided by Frontier.

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FCC DATA REQUEST #30

Provide all documents received from the Department of Justice and submitted by Verizon or Frontier to DoJ as part of DoJ's Hart Scott Rodino Act review, including but not limited to the correspondence and attachments relating to DoJ's March 12, 2009 and May 8, 2009 letters to the parties.

RESPONSE TO FCC DATA REQUEST #30

Verizon previously has provided the Department of Justice with waivers of the Hart-Scott-Rodino confidentiality restrictions to permit the inspection of Hart-Scott-Rodino documents by the FCC staff. As reflected in Frontier and Verizon's February 22, 2010 ex parte letter, Staff has confirmed that this waiver and the access provided therein adequately address Specification 30.